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Export Opportunities for U.S. Softwood and Treated Lumber

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Wood Products

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Report Highlights:

U.S. exports of softwood and treated lumber to South Africa face are poised to increase over the next five to ten years. The South African Institute for Timber Frame Builders (ITFB) is setting the domestic standard for timber building in South Africa and hopes to double production of timber homes by 2016. Estimates show that South Africa will not have enough timber to supply its own industry. Current imports are relatively inexpensive, but of lower quality.

General Information:
SECTION I. MARKET OVERVIEW

The United States (U.S.) globally exported a total of $962 million of softwood and treated lumber (SFTLM) or coniferous wood in 2012. The top three export markets were Canada, Mexico, and Japan. Douglas fir and southern yellow pine (SYP), which includes four American softwood species, were the largest SFTLM exports. U.S. lumber has a small presence in Sub-Saharan Africa (SSA), which makes up less than one percent of total U.S. softwood exports. In 2012, SFTLM exports to SSA were $476,000. Within SSA, South Africa is the United States largest trade partner accounting for $328,000 in 2012 exports. This was a 54 percent increase from 2011 and a 315 percent increase since 2007. Finger-jointed softwood was the greatest export with $113,403, followed by douglas fir and hemlock. South Africa has not imported SYP since 2008.

Although South Africa is not importing SYP as of July 2013, softwood lumber is still an important component of the South African lumber industry. In 2012, South Africa imported $17.5 million of softwood lumber, 5.3 percent of the country’s total imports of wood and articles of wood. The country’s top importers of SFTLM were New Zealand, Zimbabwe, and Argentina. General uses in South Africa for softwood lumber are construction, joinery, crates, pallets, boxes, and pulp for craft paper. There are no tariffs for importing lumber into South Africa.

Table 1. Advantages, Challenges, and Opportunities Facing U.S. SFTLM in South Africa

Advantages	Challenges	Opportunities
U.S. softwoods are of high quality.	Top exports to South Africa are of low quality, but less expensive.	The Institute for Timber Frame Builders (ITFB) estimates that by 2018-2020, South Africa will not have enough timber to supply its own industry. South Africa will have to increase its imports to sustain the timber market.
ITFB is interested in working with U.S. trade associations in lumber. ITFB is setting the standard for timber frame in South Africa and throughout SSA.	Currently, the United States is not one of South Africa’s top importers.	Engaging in timber trade with South Africa opens potential for timber trade throughout SSA.
South African pine is pressure treated to only 20mm penetration. The U.S. standard for SYP is 63mm.	The pressure treatment of other imported woods could also be competitive with the U.S.	Lumber durability is important to South African builders. High durability will be a strong selling point for U.S. lumber.

ITFB hopes to double production of timber homes and buildings by 2016.	The South African low-income population associates mud and stick frame homes with apartheid. South Africans prefer a home of brick and mortar.	At least 2 million low income houses still need to be built in South Africa. ITFB has been in long standing negotiations with the South African government to build low cost, green, timber homes.
	Only 0.8% of homes in South Africa are made of timber. The majority of timber homes in South Africa are holiday lodges, vacation rentals, or eco-homes for the upper class. Of those, only about 10% are permanent housing.	U.S. softwoods are both of higher quality and durability than current imports, which would appeal to the upper class, especially as production grows.
The species of SYP, one of the greatest U.S. softwood exports, includes longleaf, shortleaf, loblolly, and slash.	Local South African pine is made up of patula, loblolly, radiata, and slash. Advertising U.S. pine may be challenging due to the differences.	New species of softwoods may be appealing to new design professionals entering the workforce, even though they are categorized differently.
There are no import tariffs on lumber from the U.S. to South Africa.	Exports could seem uncompetitive due to strong domestic prices in the U.S.	U.S. lumber could be more competitive due to zero tariff differentials with other regions.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

ENTRY STRATEGY

To increase U.S. softwood exports to South Africa it is important to first build relationships within the industry among importers, wholesalers, and design professionals. It is imperative to create positive and stable connections throughout the region while ensuring a valuable perception of American softwoods in terms of quality, availability, and use. One way to assist in building these relationships is to open a regional office in South Africa. Maintaining an in-country presence is essential for creating long standing relationships and having a more accurate understanding of the consumer base, market, and culture. In addition, by having an employee or employees in the region it allows for increased opportunities to make the industry throughout South Africa more aware of U.S. softwood products, species, and grading rules while also ensuring the importing process goes smoothly.

In addition, U.S exporters should hire an inspector who is fully trained by a South African regulating body to inspect and re-grade timber exports upon arrival to South Africa. Timber must be exported kiln-dried. It can be rough (bandsaw cut) or sized (planed). The grade mark is stamped on the butt ends with one of the following commercial categories:

- S5 – Used for structures, such as buildings and roofs.
- S7 – Used for structures, but graded visually for weight-carrying capacity.
- XXX – “Black cross,” which is not suitable to use in buildings.

Most South African builders use S5, but there is potential to introduce more S7 grade timber into the industry. Timber is standardized by The South Africa Bureau of Standards (SABS) under SANS # 10082. The South African Institute for Timber Frame Builders (ITFB) developed these codes.

COMPETITION

In value, top exporters of softwoods to South Africa in 2012 were New Zealand, Zimbabwe, Argentina, Brazil and Zambia. Top exporters in quantity were Brazil, Zambia, Malaysia, Argentina, and South Africa. New Zealand exported a total of $4.7 million of softwoods to South Africa at a unit price of $180.37 per cubic meter. Brazil exported $2.2 million of softwoods at a unit price of $7.77 per cubic meter. The U.S. exported only $328,000 of softwoods with a unit price of $673.38 per cubic meter. The United States faces competition from other suppliers who can provide a greater quantity of cheap, but minimum strength softwoods.

SECTION V. FURTHER INFORMATION

In September, FAS Pretoria organized key visits with lumber companies in Johannesburg for the Southern Forest Products Association to explore market opportunities for trade. Please see this link for more information: http://sfpa.org/2013/11/sub-saharan-markets-show-promise/

Additional References:
Global Trade Atlas, U.S. Exports, South Africa Imports, Softwood/Treated Lumber, 2007-2012
South Africa Trade Data, http://tradestats.thedti.gov.za/TableViewer/tableView.aspx
South African Revenue Service (SARS), Schedule 1, Part 1, Section 9, Customs and Excise Tariff
Softwood Export Council (SEC), www.softwood.org
American Softwood, www.americansoftwoods.com
Southern Forest Products Association (SFPA), www.SouthernPineGlobal.com
Institute for Timber Frame Builders (ITFB), http://www.itfb.co.za/